

[22 March, 2001]

RAJYA SABHA

information security related legal aspects. This will encourage expansion of e-commerce through internet.

Growth of I T Industry

2938. SHRI B. J. PANDA: Will the Minister of INFORMATION TECHNOLOGY be pleased to state:

- (a) the target set for the growth of Information Technology Industry during the Ninth Plan;
- (b) the achievements made in this regard; and
- (c) the details of the various steps proposed to be taken to give boost to IT industry in the coming years?

THE MINISTER OF INFORMATION TECHNOLOGY (SHRI PRAMOD MAHAJAN): (a) and (b) The Ninth Five Year Plan targets and production of the Information Technology Industry (computer hardware and software) during the first four years of Ninth Plan are as follows:—

(Rs. Crores)

Year	Targets	Production
1997-98	14,450	12,770
1998-99	21,700	18,190
1999-00	32,650	26,850
2000-01	32,650	49,100

(c) To give a boost to the IT Industry in the coming years, the Government is contemplating steps to develop infrastructure for IT industry like Telecom infrastructure, availability of bandwidth, Deregulation of Long Distance Operation, Submarine Fiber Cable Landing Policy, VSNL monopoly to end by March, 2000, etc. The Government has set up a Task Force on Human Resource Development to meet 2.2 million IT professionals requirement by 2008. It is proposed to increase the quality and quantity of IT

professions by upgradation of IT infrastructure at educational institutions to double the students intake in IT by 2001-02 and triple it by 2003-04, distance learning and digital library. The Government also proposes to set up STPIs at secondary locations.

The details of various fiscal incentives given to Information Technology sector are given in the statement.

Statement

Incentives for Information Technology Sector

1. Export Promotion Capitals Goods scheme (EPCG) has been rationalised and extended uniformly to all sectors without any threshold limit on payment of 5% duty.
2. Approvals for all foreign direct investment proposals relating to the Information Technology sector, with the exception of Business-to-consumer (B2C) e-commerce are under the automatic route.
3. Powers of approval of the Designated Officers of MIT for implementation of STP and EHTP schemes have been further enhanced upto US \$ 20 million.
4. Accelerated depreciation norms for computers and computer peripherals for units under Export Oriented schemes (EOUEPZ/5TP/EHTP) have been enhanced. These shall stand depreciated to overall limit of 90% over a period of 3 years instead of around 5 years earlier.
5. DTA access upto 50% of the FOB value of export is permitted for export oriented units under EOU^PZ^TP schemes. Broad banding is permitted in the DTA sales of Hardware units for items covered in the Letter of Permission.
6. EOUEPZ/EHTP/5TP units are exempted from payment of Income Tax on export profits, upto 2010, in terms of Section 10A and 10B of the Income Tax Act.

7. Special Economic Zones are being set up to enable hassle free manufacturing and trading for export purposes.
8. Value addition norms for Rupee exports to Russia reduced from 100% to 33% under Advance Licensing Scheme.
9. The Depreciation on Computers has been allowed @ 60%.
10. In the 2000-01 Budget, Customs duty on Computers and Peripherals has been reduced from 20% to 15%. The Custom* duty on all storage devices, integrated circuits* microprocessors, Data display tubes and Deflection components of colour monitors has been reduced to NIL rate.
11. Definition of Computer Software, as in Section 80 HHE of the Income Tax Act has been widened to include transmission of data.
12. Benefit of Section 80 HHE is available to supporting software developers.
13. Exemption of withholding tax on interest on External Commercial Borrowings (ECBs) has been extended to the IT sector.
14. A National Venture Fund for Software and IT Industry (NFSIT) has been set up with a corpus of Rs. 100 crores, out of which MIT shall contribute Rs. 30 crores.
15. Income by way of dividends or long-term capital gains of a Venture Capital Fund or Venture Capital company from investment made by way of equity shares in a Venture Capital Undertaking, which has been expanded to include the Software and IT sectors, will henceforth not be included in computing the total income.
16. To give thrust to Venture Capital finance, SEBI has been made the single point nodal agency for registration and regulation of both domestic and overseas venture capital funds.
17. There will be no tax on distributed or undistributed income of Venture Capital Funds. The income distributed by the VCFs will only be taxed in the hands of the investors at the rates

applicable to the nature of the income.

18. Under policy on portfolio investment, Foreign Institutional Investors (His) are permitted to invest in a company upto an aggregate of 24% of equity shares, extendable upto 30% subject to approvals. This limit has been raised from 30% to 40% in the Budget 2000-01.
19. Under the Employee Stock Option Scheme, income tax payable on income from GDRs purchased in foreign currency by a resident employee of IT software and service companies, shall be at a concessional rate of 10%.
20. To induce more investment for R&D activities, a weighted deduction of 125% on the sums paid to any university, college or an institution or a Scientific research association for the purposes of scientific, social or statistical research has been provided.
21. Information Technology Act 2000 has been enacted. This act deals with Cyber Security, Cyber Crime and other information security related legal aspects. This will encourage expansion of e-commerce through internet.
22. STPI has set up a business support centre in the USA, which is operational since November, 1999, to promote business for STP units and provide marketing support to SMEs.

Benefits of IT for weaker sections

† 2939. SHRI JANESHWAR MISHRA: Will the Minister of INFORMATION TECHNOLOGY be pleased to state:

- (a) whether it is a fact that Government have decided to provide Rs. 2000 crores for information technology;
- (b) if so, the amount out of the said funds that would be utilised

† Original notice of the question was received in Hindi.